

CORPORATE TRUST REFERENCE MODULE

GENERAL ADMINISTRATION

1. Evaluate pre-acceptance procedures for corporate appointments. Ascertain whether the following factors are considered:
 - 1A. Financial strength of the obligor
 - 1B. Size and complexity of the issue, including applicability of the Trust Indenture Act
 - 1C. Reputation of the issuer
 - 1D. Capacity of department to handle the issue, including information systems
2. Determine that synoptic records are appropriate for the size and complexity of accounts, and provide necessary administrative information. Consider the following:
 - 2A. Events of default
 - 2B. Sinking fund or special account requirements
 - 2C. Requirements of the Trust Indenture Act
 - 2D. Investment of temporary funds
 - 2E. Investment powers, restrictions, limitations or mandatory investments
 - 2F. Collateral provisions
 - 2G. Maturity or payment dates
 - 2H. Co-trustees or agents
3. Determine that appropriate ticklers are maintained with respect to matters of periodic performance of both obligor and trustee. Consider the following:
 - 3A. Maturity and interest payment dates, including call dates
 - 3B. Financial reporting requirements
 - 3C. Annual non-default certification by issuer
 - 3D. UCC renewal dates
 - 3E. Insurance renewal dates
 - 3F. Fee collections
4. Determine if transactions are promptly and accurately posted.
5. Determine if corporate accounts receive adequate annual administrative and investment reviews.

CORPORATE (BOND) TRUSTEESHIPS

Account Administration

6. Determine that documentation is complete. Common documents include the following:
 - 6A. Original or certified copy of trust indenture
 - 6B. Original or certified copy of any mortgage
 - 6C. Original or certified copy of all supplements to original instrument
 - 6D. Certified copy of certificate of incorporation and amendments
 - 6E. Certified copy of the by-laws and all amendments to date of issue
 - 6F. Certificate of consent of stockholders, where required
 - 6G. Certified copy of resolution approving issue and authorizing its creation
 - 6H. Specimen signatures of officers of obligor corporation with signatory authority
 - 6I. Opinion of counsel as to legality of issue, provisions of indenture, and the sufficiency of supporting documents
 - 6J. Stockholders' resolution authorizing the issue, if required by state law
 - 6K. Approval of regulatory authorities if required

7. Determine if accounts are administered in compliance with indenture covenants, which may include the following:
 - 7A. Maintaining insurance coverage
 - 7B. Perfecting liens on collateral
 - 7C. Recording mortgage liens
 - 7D. Filing and renewing UCC forms
 - 7E. Obtaining annual opinions of counsel
 - 7F. Disbursing construction funds
 - 7G. Maintaining separate accounts, such as reserves, maintenance, depreciation, construction and sinking funds
 - 7H. Investing temporary funds
 - 7I. Maintaining, replacing or renewing property or equipment
 - 7J. Obtaining and reviewing financial statements
 - 7K. Obtaining engineers' maintenance certificates
 - 7L. Obtaining annual non-default certification from the issuer
 - 7M. Monitoring bond covenants, such as creating additional debt or liens and any required financial ratios
 - 7N. Assessing events of default
8. For issues secured by real estate, determine whether environmental risk has been appropriately addressed, including a Phase I or Phase II environmental audit when necessary.
9. Assess the trustee's duties with respect to and compliance with any credit enhancements, such as letters of credit or municipal bond insurance.
10. Assess the impact of any conflicts of interest involving the institution or its affiliates: Consider the following:
 - 10A. Acting as trustee for more than one debt issue.
 - 10B. Extending credit to the obligor.
 - 10C. Owning in its own capacity or as fiduciary a portion of the outstanding bonds.
 - 10D. Serving as underwriter.
 - 10E. Acting as trustee for obligations involving insiders

Default Administration

11. Assess the adequacy of the procedures for detecting events of default, including technical default, which may include the following:
 - 11A. Failure to pay principal or interest when due.
 - 11B. Failing to comply with sinking fund provisions.
 - 11C. Failing to pay principal and interest on any prior liens
 - 11D. Filing bankruptcy
 - 11E. Cross default on other bonds or loans
 - 11F. Failing to comply with bond covenants
12. Evaluate the adequacy of default administration practices and procedures. The board or senior management should:
 - 12A. Obtain the advice of legal counsel.
 - 12B. Approve any waiver involving an issuer's failure to comply with bond covenants.
 - 12C. Notify bondholders of all significant events and decisions.
 - 12D. Implement appropriate procedures and legal remedies to ensure that bondholders' interests are adequately protected.
 - 12E. Initiate foreclosure proceedings when appropriate.

13. Determine if the institution maintains adequate policies and procedures addressing foreclosure on real estate. Consider the following:
 - 13A. Performance of a new Phase I or Phase II environmental audit before taking title to real estate.
 - 13B. Indemnification from bondholders
 - 13C. Recent appraisals

Internal Controls

14. Determine that the institution can reconcile all outstanding, cancelled and destroyed bonds back to the original issuance.
15. Determine if there are operational controls fixing responsibility and providing proper safeguards for items processed, such as coupons, bonds in process, unissued bonds and cancelled bonds.
16. Determine that authorized signatures have been affixed to newly issued securities certificates to maintain appropriate controls over the authentication of securities certificates upon issuance.
17. Determine whether receipts are obtained for the following:
 - 17A. Bonds authenticated and delivered
 - 17B. Bonds cancelled and returned to obligor
 - 17C. Bonds destroyed

Trust Indenture Act

18. Determine if any corporate trust accounts are subject to the Trust Indenture Act (TIA). Issues subject to the TIA generally include:
 - 18A. Bonds that exceed \$10 million outstanding at any one time; and
 - 18B. Bonds issued by private corporations (excluding securities issued by federal and state governments and subdivisions, banks, savings and loan associations and nonprofit organizations, and intrastate issues).
19. Determine that every qualified indenture has at least one eligible trustee that meets all of the following requirements [Section 310]:
 - 19A. Authorized to exercise corporate trust powers;
 - 19B. Subject to supervision or examination and regulation under the laws of the United States, any State or Territory or the District of Columbia
 - 19C. Has a combined capital and surplus at a specified minimum of not less than \$150,000
20. Determine that co-trustees have the same rights, powers, duties and obligations as the institutional trustee. [Section 310]
21. Determine that the trustee has no direct or indirect relationship with the obligor. [Section 310]
22. Determine that the trustee obtains a list of bondholders at stated intervals of not more than six months. [Section 312]
23. Determine that the trustee responds to requests for information from three or more bondholders within 5 business days. [Section 312 (b)]
24. Determine that the trustee reports at stated intervals of not more than 12 months the following events to bondholders, the Securities Exchange Commission, and the securities exchange where the issue is listed [Section 313]:
 - 24A. Changes in eligibility under Section 310.
 - 24B. Unpaid advances involving prior liens which aggregate more than ½ percent of the outstanding principal.

- 24C. Other indebtedness owed to it in its individual capacity.
 - 24D. Collateral changes (i.e. any change to the property or funds physically in its possession; or any change in, release of or substitution of collateral)
 - 24E. Trustee actions
 - 24F. Additional securities issues not previously reported
 - 24G. Disqualification factors under Section 310(b)
25. Determine that the trustee obtains periodic reports from each obligor. [Section 314]
26. For secured issues, determine that the trustee obtains the following: [Section 314(b)]
- 26A. An opinion of counsel stating that the lien has been properly recorded.
 - 26B. An annual opinion from counsel stating that action necessary to maintain the lien has been taken or no such action is necessary.
27. Prior to releasing collateral, determine that the trustee obtains an independent valuation, by an engineer, appraiser, or other expert, of the fair market value of the collateral to be released. [Section 314(d)]
28. Determine that the trustee obtains evidence of compliance with the following: [Section 314(c)]
- 28A. Authentication and delivery of securities.
 - 28B. Release and substitution of collateral.
 - 28C. Satisfaction and discharge of the indenture.
 - 28D. Other action taken by the trustee at the request of the obligor.
29. Determine that indentures do not contain provisions relieving the trustee from liability for negligent actions, failure to act, or willful misconduct. [Section 315(d)]

Default

30. For issues in default due to failure to meet principal and interest or sinking fund requirements, determine that the trustee either eliminates specified conflicts of interest or resigns within 90 days. [Section 310]
31. Determine that bondholders receive notice of default under Section 313 within 90 days if default is due to failure to pay principal and interest or sinking fund requirements. [Section 315(b)]
32. Where the trustee becomes a creditor, determine that any monies received within 3 months of default are appropriately set aside. [Section 311]

CORPORATE AGENCIES

Securities Transfer Agent or Registrar

33. Determine if stock certificates are properly issued. Consider whether their issuance is accurate for the following:
- 33A. Original issues
 - 33B. Stock dividends
 - 33C. Stock splits
34. Determine that accurate records are maintained for securities ownership, including the number of shares outstanding or the par value of debt.
35. Determine if certificates are prominently cancelled and appropriately controlled.
36. Determine if there are controls to prevent the over- or under-issuance of a security.

37. Determine if there is a process to check the accuracy of all transfers performed by the stock transfer agent. Specifically determine that this process includes the following:
 - 37A. Verification of the genuineness of certificates presented for transfer
 - 37B. Verification to ascertain that old certificates have been cancelled
 - 37C. Verification to ensure that the number of shares represented by new certificates does not exceed the number of shares represented by old (cancelled) certificates.
38. Determine if cancelled certificates and newly issued certificates are sent for verification if an outside registrar is used.
39. Determine if deficiencies in the most recent registered transfer agent examination report have been corrected if the institution is a registered transfer agent.
40. Determine if deficiencies in any internal or external audit reports have been corrected.

Lost and Stolen Securities

41. Determine if the institution is registered as either a direct or indirect inquirer with the Securities Information Center.
42. Determine if the institution reports the following events to the Securities Information Center: [SEC Rule 17f-1 (c) and (e)]
 - 42A. A securityholder notifies the institution of a lost or stolen certificate(s).
 - 42B. During the securities transfer process, the transfer agent identifies:
 - 42B1. Counterfeit securities certificates
 - 42B2. Valid securities previously reported as lost or stolen
 - 42B3. Valid certificates listed as paid or canceled on the transfer agent's books [See 17f-1 (e)]
 - 42C. The institution determines that securities certificates are missing from the blank certificate inventory. [See 17f-1 (e)]
43. Determine if the institution has filed a Suspicious Activity Report for each instance involving the theft or loss of securities certificates where there is a substantial basis for believing that criminal activity is involved.

Fiscal, Paying or Dividend Disbursing Agent

44. Determine if the institution maintains adequate controls over the issuance of checks or payments.
45. Determine if funds held for payment of principal, interest or dividends can be identified or reconciled to individual payment dates.
46. Evaluate the reconciliation procedures for disbursement accounts. Consider the following:
 - 46A. Frequency
 - 46B. Independence
 - 46C. Timely resolution of outstanding items
 - 46D. Appropriateness of management oversight
47. Determine if adequate controls are maintained over checks spoiled or mutilated during processing, or returned as undeliverable.
48. Evaluate controls over dormant funds.
49. Evaluate management's policies and procedures for escheating funds.
 - 49A. Identify accounts holding unclaimed or stale funds.

- 49B. Determine if the institution is in compliance with state law.
- 49C. Evaluate the appropriateness of any funds transferred to the institution's revenue or other accounts.
- 49D. Determine the appropriateness of management oversight.
- 50. If the institution is a registered transfer agent, evaluate the controls over principal and interest payments on coupon (i.e. bearer) bonds.
- 51. If the institution allows overdrafts in disbursement accounts, determine if:
 - 51A. An appropriate credit review is performed.
 - 51B. Overdrafts are resolved in a timely manner.
- 52. Determine that automated systems used in the disbursement process are subject to periodic audit, including appropriate transaction testing.

TRUSTEE FOR ASSET-BACKED/SECURITIZED DEBT ISSUES

- 53. Determine the adequacy of the pre-acceptance review of such issues. In particular, ascertain whether the following are considered:
 - 53A. The quality of underlying assets.
 - 53B. The institution's ability to monitor the assets.
 - 53C. The institution's ability to monitor and control servicing risk.
 - 53D. Availability of substitute servicers.
 - 53E. Computer system requirements.
 - 53F. The complexity of the issue's structure.
- 54. Assess the adequacy of administration of asset-backed and securitized debt issues, including compliance with governing instruments.
- 55. Determine if the board performs adequate due diligence when selecting and retaining a servicer.
- 56. Evaluate the adequacy of back-up servicers. Consider whether back-up servicers:
 - 56A. Use hardware and software compatible with the original servicer
 - 56B. Have adequate capacity to service the loan portfolio.
 - 56C. Perform under a written contract.
 - 56D. Periodically test their contingency and business resumption plans.
 - 56E. Are examined by a regulatory agency whose reports are available to the institution.

GLOBAL CUSTODY

- 57. Evaluate the effectiveness of board and senior management oversight of global custody activities. Consider the following:
 - 57A. Adequacy of and compliance with the policies governing global custody activities.
 - 57B. Effectiveness of systems established to identify, measure, monitor and control global custody risks.
 - 57C. Adequacy of data security measures, including access controls and protections of communication lines.
 - 57D. Whether management seeks legal advice concerning tax regulations of foreign countries.
 - 57E. Adequacy of internal and external audit coverage of global custody activities.
 - 57F. Effectiveness of contingency and business resumption plans, including the periodic testing of such plans.
- 58. Assess the adequacy of the practices and procedures governing global custody services, which may include the following:

- 58A. Accurate and timely reconcilements are performed, and out of proof conditions are promptly resolved.
 - 58B. Prompt identification of unsettled trades, which are researched and resolved.
 - 58C. Prompt communication of corporate actions to clients, with client inquiries receiving prompt action.
 - 58D. Appropriate allocation of income to client accounts and prompt action when funds are not received when due.
 - 58E. Accurate securities pricing.
 - 58F. Adequate tax reclaim procedures and practices .
59. Evaluate the custodian's accounting practices and the process for capturing income declared or distributed for securities.
60. Assess the profitability of the global custody business and its contribution to the institution's earnings.
61. If sub-custodians are utilized, determine whether:
- 61A. Sub-custodians perform pursuant to written agreements
 - 61B. Management periodically reviews the sub-custodian's financial condition, internal controls, operational performance, and contingency plans.